

Borgata Casino Hotel & Spa
QUARTERLY REPORT

December 31, 2006

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

Borgata Casino Hotel & Spa

BALANCE SHEETS

AS OF December 31, 2006 & 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....	1	\$53,807	\$49,848
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$15,948; 2005, \$10,232).....	2	63,125	51,693
4	Inventories		4,062	3,107
5	Other Current Assets.....		5,452	5,707
6	Total Current Assets.....		126,446	110,355
7	Investments, Advances, and Receivables.....		11,890	6,582
8	Property and Equipment - Gross.....		1,399,219	1,149,430
9	Less: Accumulated Depreciation and Amortization.....		(197,612)	(135,686)
10	Property and Equipment - Net.....	3	1,201,607	1,013,744
11	Other Assets.....	6	11,265	10,294
12	Total Assets.....		\$1,351,208	\$1,140,975
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$29,250	\$32,286
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		0	0
17	Income Taxes Payable and Accrued.....		1,834	7,107
18	Other Accrued Expenses.....	4	67,113	57,345
19	Other Current Liabilities.....	5	15,928	12,558
20	Total Current Liabilities.....		114,125	109,296
	Long-Term Debt:			
21	Due to Affiliates.....			0
22	External.....	8	554,600	341,700
23	Deferred Credits		6,612	4,472
24	Other Liabilities.....		9,138	7,400
25	Commitments and Contingencies.....			0
26	Total Liabilities.....		684,475	462,868
27	Stockholders', Partners', or Proprietor's Equity.....		666,733	678,107
28	Total Liabilities and Equity.....		\$1,351,208	\$1,140,975

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Borgata Casino Hotel & Spa

STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$735,145	\$696,965
2	Rooms.....		97,646	91,257
3	Food and Beverage.....		133,700	121,013
4	Other.....		42,533	35,470
5	Total Revenue.....		1,009,024	944,705
6	Less: Promotional Allowances.....	1	195,759	180,722
7	Net Revenue.....		813,265	763,983
	Costs and Expenses:			
8	Cost of Goods and Services.....		444,626	401,049
9	Selling, General, and Administrative.....	11	111,299	102,186
10	Provision for Doubtful Accounts.....	2	7,287	4,381
11	Total Costs and Expenses.....		563,212	507,616
12	Gross Operating Profit.....		250,053	256,367
13	Depreciation and Amortization.....		63,088	56,951
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....			
16	Income (Loss) from Operations.....		186,965	199,416
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....			
18	Interest Expense - External.....	8	(23,271)	(23,930)
19	CRDA Related Income (Expense) - Net.....		(4,336)	(4,922)
20	Nonoperating Income (Expense) - Net.....		(7,641)	(679)
21	Total Other Income (Expenses).....		(35,248)	(29,531)
22	Income (Loss) Before Taxes and Extraordinary Items.....		151,717	169,885
23	Provision (Credit) for Income Taxes.....	1,10	(2,116)	(1,303)
24	Income (Loss) Before Extraordinary Items.....		153,833	171,188
25	Extraordinary Items (Net of Income Taxes - 2006, \$0; 2005, \$0).....			
26	Net Income (Loss).....		\$153,833	\$171,188

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Borgata Casino Hotel & Spa

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED December 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$172,554	\$175,209
2	Rooms.....		25,497	22,496
3	Food and Beverage.....		34,464	28,850
4	Other.....		12,191	9,962
5	Total Revenue.....		244,706	236,517
6	Less: Promotional Allowances.....		45,866	42,578
7	Net Revenue.....		198,840	193,939
	Costs and Expenses:			
8	Cost of Goods and Services.....		114,329	101,006
9	Selling, General, and Administrative.....		27,818	27,455
10	Provision for Doubtful Accounts.....		2,135	2,238
11	Total Costs and Expenses.....		144,282	130,699
12	Gross Operating Profit.....		54,558	63,240
13	Depreciation and Amortization.....		16,895	15,998
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		37,663	47,242
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....		(7,599)	(5,274)
19	CRDA Related Income (Expense) - Net.....		(2,163)	(738)
20	Nonoperating Income (Expense) - Net.....		(76)	(580)
21	Total Other Income (Expenses).....		(9,838)	(6,592)
22	Income (Loss) Before Taxes and Extraordinary Items.....		27,825	40,650
23	Provision (Credit) for Income Taxes.....		(1,397)	(259)
24	Income (Loss) Before Extraordinary Items.....		29,222	40,909
25	Extraordinary Items (Net of Income Taxes - 20__, \$____; 20__, \$____).....			
26	Net Income (Loss).....		\$29,222	\$40,909

The accompanying notes are an integral part of the financial statements.
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Borgata Casino Hotel & Spa

STATEMENTS OF CHANGES IN PARTNERS', PROPRIETOR'S OR MEMBERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Accumulated Other Comp Income (Loss) (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2004.....		\$477,507	\$88,088	(\$5,854)	\$559,741
2	Net Income (Loss) - 2005.....			171,188		171,188
3	Capital Contributions.....					0
4	Capital Withdrawals.....					0
5	Partnership Distributions.....			(58,676)		(58,676)
6	Prior Period Adjustments.....					0
7	Other Comprehensive Income, Net				5,854	5,854
8						0
9						0
10	Balance, December 31, 2005.....		477,507	200,600	0	678,107
11	Net Income (Loss) - 2006.....			153,833		153,833
12	Capital Contributions.....					0
13	Capital Withdrawals.....					0
14	Partnership Distributions.....			(165,207)		(165,207)
15	Prior Period Adjustments.....					0
16						0
17						0
18						0
19	Balance December 31, 2006.....		\$477,507	\$189,226	\$0	\$666,733

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Borgata Casino Hotel & Spa

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$218,366	\$248,352
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(255,509)	(89,612)
5	Proceeds from Disposition of Property and Equipment.....			
6	CRDA Obligations		(4,908)	(3,883)
7	Other Investments, Loans and Advances made.....		(400)	
8	Proceeds from Other Investments, Loans, and Advances			
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(260,817)	(93,495)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt		778,500	573,000
16	Costs of Issuing Debt.....		(1,283)	
17	Payments to Settle Long-Term Debt.....		(565,600)	(656,900)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Partnership Distributions		(165,207)	(58,676)
22				
23	Net Cash Provided (Used) By Financing Activities.....		46,410	(142,576)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		3,959	12,281
25	Cash and Cash Equivalents at Beginning of Period.....		49,848	37,567
26	Cash and Cash Equivalents at End of Period.....		\$53,807	\$49,848
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$18,454	\$26,019
28	Income Taxes.....		\$5,952	\$7,605

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Borgata Casino Hotel & Spa

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$153,833	\$171,188
30	Depreciation and Amortization of Property and Equipment.....		62,371	56,813
31	Amortization of Other Assets.....		717	138
32	Amortization of Debt Discount or Premium.....			
33	Deferred Income Taxes - Current			
34	Deferred Income Taxes - Noncurrent			
35	(Gain) Loss on Disposition of Property and Equipment.....		2,418	160
36	(Gain) Loss on CRDA-Related Obligations.....		4,336	4,922
37	(Gain) Loss from Other Investment Activities.....			
38	(Increase) Decrease in Receivables and Patrons' Checks		(11,432)	(4,445)
39	(Increase) Decrease in Inventories		(955)	(121)
40	(Increase) Decrease in Other Current Assets.....		256	(220)
41	(Increase) Decrease in Other Assets.....		(406)	1,430
42	Increase (Decrease) in Accounts Payable.....		(179)	4,139
43	Increase (Decrease) in Other Current Liabilities		3,529	5,830
44	Increase (Decrease) in Other Liabilities		3,878	7,710
45	Net Loss (Gain) on Derivative Financial Instrum.....		0	808
46				
47	Net Cash Provided (Used) By Operating Activities.....		\$218,366	\$248,352

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$255,509)	(\$89,612)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$255,509)	(\$89,612)
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....			
58	Less: Issuances to Settle Long-Term Debt.....			
59	Consideration in Acquisition of Business Entities.....			
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Borgata Casino Hotel & Spa

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	415,297	\$59,176		
2	Food	1,835,233	39,990	667,968	6,680
3	Beverage	7,334,194	23,836		
4	Travel			27,616	6,904
5	Bus Program Cash				
6	Other Cash Complimentaries	2,523,350	63,084		
7	Entertainment	142,225	5,689	5,673	567
8	Retail & Non-Cash Gifts	6,142	307	56,261	14,065
9	Parking				
10	Other	183,859	3,677	5,463,476	9,437
11	Total	12,440,300	\$195,759	6,220,994	\$37,653

* Promotional Allowances - Other includes \$3,149 of Spa comps and (\$91) of change in Comp and Slot dollars earned but not redeemed.

* Promotional Expenses - Other includes \$4,762 of comp taxes & \$4,520 of promotional jackpot program

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	97,425	\$14,588		
2	Food	379,879	9,311	297,133	2,972
3	Beverage	1,933,662	6,284		
4	Travel			5,801	1,450
5	Bus Program Cash				
6	Other Cash Complimentaries	552,877	13,822		
7	Entertainment	33,285	1,332	1,147	114
8	Retail & Non-Cash Gifts	6,142	307	13,631	3,408
9	Parking				
10	Other	45,682	222	1,323,265	1,191
11	Total	3,048,952	\$45,866	1,640,977	\$9,135

* Promotional Allowances - Other includes \$846 of Spa comps and (\$825) of change in Comp and Slot dollars earned but not redeemed.

* Promotional Expenses - Other includes \$1,116 of comp taxes & \$0 of promotional jackpot program

Borgata Hotel Casino & Spa STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

December 31, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

3/31/2007

Date



Hugh Turner

Vice President of Finance

Title

007833-11

License Number

On Behalf of:

Borgata Hotel Casino & Spa

Casino Licensee

Marina District Development Company, LLC and Subsidiary



(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company", "We", or "Us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey. We opened Borgata on July 3, 2003 with approximately 2,000 hotel rooms, a 125,000 square foot casino, and other amenities. On June 30, 2006, we opened our first expansion ("Public Space Expansion"), a project with a cost of approximately \$200,000,000. The Public Space Expansion consists of approximately 35,000 square feet of additional casino space and substantial additions of non-gaming amenities including three additional fine dining restaurants, a second nightclub, and a multi-concept quick service dining facility.

We are currently in the process of our second expansion ("Rooms Expansion"). The centerpiece of the Rooms Expansion is a new hotel tower, The Water Club at Borgata, containing approximately 800 rooms and suites, and is being built on a portion of the existing surface parking lot, near the existing porte cochere. In addition to the hotel, which will have access separate from our existing hotel tower, the Rooms Expansion will include a new spa, additional meeting room space, and a new parking structure. Construction of the Rooms Expansion, which is being built on land leased from MGM MIRAGE, began January 2006 and is expected to open near the beginning of 2008 at an estimated cost of approximately \$400,000,000. BAC and MAC do not expect to make further capital contributions to us for the expansion project as we expect to finance the project from our cash flow and from our bank credit facility (see Note 8).

Pursuant to the Joint Venture Agreement (the "JV Agreement"), BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, and construction as well as the day-to-day operations. We do not record a management fee to BAC, as our management team directly performs these services or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase. The carrying value of these investments approximates their fair value due to their short maturities.

Accounts Receivable, net

Accounts receivable consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of \$15,948,000 and \$10,232,000 at December 31, 2006 and 2005, respectively. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables.

Inventories

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets (see Note 3). Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Losses on disposal of assets are recognized when such assets are impaired while gains are recognized as realized.

Capitalized Interest

Interest costs associated with our expansion projects are capitalized as part of the cost of our constructed assets. Interest costs, which include commitment fees and the amortized portion of deferred loan origination fees, are capitalized on amounts expended for the respective projects using our weighted average cost of borrowing. Capitalization of interest will cease when the respective project, or discernible portions of the projects, are substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. Capitalized interest was \$6,500,000 and \$2,008,000 for the years ended December 31, 2006 and 2005 respectively.

Deferred Loan Origination Fees

Deferred loan origination fees incurred in connection with the issuance of long-term debt are amortized over the terms of the related debt agreement.

Revenue and Promotional Allowances

Gaming revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. The majority of our gaming revenue is counted in the form of cash, chips and tokens and therefore is not subject to any significant or complex estimation procedures. Gross revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances.

The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts (in thousands):

	Year Ended December 31,	
	2006	2005
Room	\$ 17,641,000	\$ 17,089,000
Food and beverage	51,381,000	44,028,000
Other	9,947,000	7,744,000
Total	\$ 78,969,000	\$ 68,861,000

Promotional allowances also include incentives such as cash, goods and services (such as complimentary rooms and food and beverages) earned in our slot club and other gaming programs. We reward customers, through the use of loyalty programs, with points based on amounts wagered that can be redeemed for a specified period of time, principally for restricted free play slot machine credits and complimentary goods or services. We record the estimated retail value of these incentives as revenue and then deduct them as a promotional allowance. For the years ended December 31, 2006 and 2005, these incentives were \$62,840,000 and \$58,752,000, respectively.

Income Taxes

Our Parent and we are treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, we are required to record New Jersey state income taxes. In 2004, we were granted permission by New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with MAC and BAC. Pursuant to our tax sharing agreement with MAC and BAC, we owe our partners approximately \$5,400,000 and \$4,000,000 for the years ended 2006 and 2005, respectively. The amounts reflected in our consolidated financial statements are on a stand-alone basis; however, we file a state consolidated tax return with our partners. The amounts due to our partners are a result of the tax attributes our partners have contributed to the consolidated state tax return.

Pursuant to an amendment to the Casino Control Act, effective July 1, 2003, we are also subject to a 7.5% Adjusted Net Profits Tax which is imposed on a casino's adjusted net income as defined in the Casino Control Commission regulations. This tax of \$3,805,000 per year is based on our adjusted net income for our first twelve months of operations ended on June 30, 2004 and is imposed for each of the three fiscal years ended June 30, 2004 through June 30, 2006. We are entitled to a 50% credit against our Adjusted Net Profits Tax if we make qualifying capital expenditures, as defined by statute. We recognize this credit in arriving at our state tax benefit reported on the accompanying consolidated statement of operations (see Note 10).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our accompanying consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimate for available tax credits, the

estimated liabilities for our self-insured medical plan, slot club programs, contingencies and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

Preopening Expenses

We expense certain costs of start-up activities as incurred. Preopening expenses were \$6,519,000 and \$0 for the years ended December 31, 2006 and 2005, respectively, consisting primarily of payroll expenses and ground lease expenses related to our expansion projects.

Advertising Expense

Advertising costs are expensed the first time such advertising appears. Total advertising costs included in selling, general and administrative expenses on the accompanying consolidated statements of operations were \$14,178,000 and \$8,654,000, respectively, for the years ended December 31, 2006 and 2005.

Employee Benefit Plans

We contribute to pension plans under various union agreements. Contributions, based on wages paid to covered employees, totaled approximately \$4,578,000 and \$3,824,000, respectively, for the years ended December 31, 2006 and 2005.

We have a retirement savings plan under Section 401(k) of the Internal Revenue Code covering our non-union employees. The plan allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. We expensed our voluntary contributions to the 401(k) plan of \$3,102,000 and \$2,789,000 for the years ended December 31, 2006 and 2005, respectively.

Self Insurance

We are currently self insured up to \$25,000,000, \$500,000, and \$200,000 with respect to each property damage claim, general liability claim, and non-union employee medical case, respectively. We have accrued \$3,245,000 and \$3,603,000 for such claims at December 31, 2006 and 2005, respectively, and incurred expenses of approximately \$11,248,000, and \$12,600,000 for the years ended December 31, 2006 and 2005, respectively.

Derivative Financial Instruments and Other Comprehensive Income

All of our interest rate protection agreements matured on or before December 31, 2005 (see Note 9). We accounted for our interest rate protection agreements as derivative financial instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments*. Our derivative financial instruments were utilized to reduce interest rate risk. We do not enter into derivative financial instruments for trading or speculative purposes. SFAS No. 133 requires all derivatives to be recognized on the balance sheet at fair value. Derivatives that are not designated as hedges must be adjusted to fair value through income. For derivatives designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

We accounted for our comprehensive income (loss) in accordance with SFAS No. 130, *Reporting Comprehensive Income*. Such amounts of accumulated other comprehensive income (loss) related to our

derivative financial instruments reversed through our consolidated statements of operations over the lives of the derivative financial instruments.

Recently Issued Accounting Standards

In October 2005, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. 13-1 (“FSP 13-1”), *Accounting for Rental Costs Incurred during a Construction Period*. FSP 13-1 requires rental costs associated with ground operating leases that are incurred during a construction period to be recognized as rental expense. We adopted FSP 13-1 in 2006 and expensed \$3,200,000 of ground operating lease rental costs for the year ended December 31, 2006 which are included in preopening expenses on the consolidated statements of operations.

In February 2006, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*. SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to irrevocably account for the whole instrument on a fair value basis. SFAS No. 155 is effective for all financial instruments acquired or issued after December 31, 2006. We do not expect the adoption of SFAS No. 155 to have a material effect on our consolidated financial statements, as we do not currently have any financial instruments that meet the criteria specified under SFAS No. 155.

In June 2006, the Emerging Issues Task Force reached a consensus on Issue No. 06-3 (“EITF 06-3”), *Disclosure Requirements for Taxes Assessed by a Governmental Authority on Revenue-Producing Transactions*. The consensus allows companies to choose between two acceptable alternatives based on their accounting policies for transactions in which the company collects taxes on behalf of a governmental authority, such as sales taxes. Under the gross method, taxes collected are accounted for as a component of sales revenue with an offsetting expense. Conversely, the net method allows a reduction to sales revenue. If such taxes are reported gross and are significant, companies should disclose the amount of those taxes. The guidance should be applied to financial reports through retrospective application for all periods presented, if amounts are significant, for interim and annual reporting beginning February 1, 2007. We have historically presented sales net of tax collected and do not expect the adoption of EITF 06-3 to have a material effect on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, and applies to all tax positions accounted for in accordance with SFAS No. 109. We do not expect the adoption of FIN 48 to have a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact that the adoption of SFAS No. 157 will have on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS No. 158 requires employers to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income. SFAS No. 158 also requires employers to measure the funded status of a plan as of the date of its year end and is effective for publicly traded companies as of the end of the fiscal year ending after December 31, 2006. We do not expect the adoption of SFAS No. 158 to have a material effect on our consolidated financial statements as we do not currently have a defined benefit postretirement plan that meets the criteria specified under SFAS No. 158.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (“SAB No. 108”), which adds Section N to Topic 1, “Financial Statements”. Section N provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. To provide full disclosure, registrants electing not to restate prior periods should reflect the effects of initially applying the guidance in Topic 1N in their financial statements covering the first fiscal year ending after November 15, 2006. We do not expect the adoption of SAB No. 108 to have a material effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The fair value option established by SFAS No. 159 permits all companies to choose to measure eligible items at fair value at specified election dates. At each subsequent reporting date, a company shall report in earnings any unrealized gains and losses on items for which the fair value option has been elected. SFAS No. 159 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the company also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*.

Note 2. Receivables and Patrons' Checks

Receivables and patrons' checks consist of the following:

	December 31,	
	2006	2005
Casino receivables (net of an allowance for doubtful accounts – 2006 \$15,730,000 and 2005 \$10,034,000)	\$ 26,069,000	\$ 24,122,000
NJ tax refund receivable (Note 10)	22,805,000	17,831,000
Other (net of an allowance for doubtful accounts – 2006 \$218,000 and 2005 \$198,000)	14,042,000	9,686,000
Due from related parties (Note 7)	209,000	54,000
Receivables and patrons' checks, net	\$ 63,125,000	\$ 51,693,000

Note 3. Property and Equipment

Property and equipment consists of the following (in thousands):

	Estimated Life	December 31,	
	(Years)	2006	2005
Land	-	\$ 87,301,000	\$ 87,301,000
Building and improvements	3-40	960,374,000	800,190,000
Furniture and equipment	3-7	216,995,000	165,043,000
Construction in progress	-	134,549,000	96,896,000
Total		1,399,219,000	1,149,430,000
Less accumulated depreciation		197,612,000	135,686,000
Property and equipment, net		\$1,201,607,000	\$1,013,744,000

Depreciation expense was \$62,371,000 and \$56,813,000 for the years ended December 31, 2006 and 2005, respectively. At December 31, 2006, our Rooms Expansion was in process (see Note 1). The majority of the total expenditures for this project as of December 31, 2006 are classified as construction in progress in the above table.

Note 4. Other Accrued Expenses

Other accrued expenses consist of the following:

	December 31,	
	2006	2005
Payroll and related	\$ 26,928,000	\$ 27,071,000
Other	40,185,000	30,274,000
Other accrued expenses	\$ 67,113,000	\$ 57,345,000

Note 5. Other Current Liabilities

Other current liabilities consist of the following:

	December 31,	
	2006	2005
Due to related parties (Note 7)	\$ 871,000	\$ 699,000
Other	15,057,000	11,859,000
Other current liabilities	\$ 15,928,000	\$ 12,558,000

Note 6. Investment in ACES

In 2006, we entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service, LLC ("ACES"). With each member having a 33.3% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan and Atlantic City. The responsibilities of the managing member will rotate annually among the members. Our anticipated investment in ACES will be approximately \$5,500,000. ACES is currently in the development stage and is expected to be operational by the end of 2007.

We account for our share of ACES under the equity method of accounting. As of December 31, 2006, we have made capital contributions of \$400,000 which is included on the accompanying consolidated balance sheet. Our share of ACES' net loss for the year ended December 31, 2006 was \$39,000 and is included in preopening expenses on the accompanying consolidated statements of operations.

Note 7. Related Parties

Pursuant to the JV Agreement, MAC is solely responsible for any investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. MAC is also responsible for their allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were \$163,000 and \$36,000 at December 31, 2006 and 2005, respectively. Reimbursable expenditures incurred were \$656,000 and \$240,000 for the years ended December 31, 2006 and 2005, respectively.

Boyd Gaming Corporation reimburses us for expenses relating to investigative services for our casino license and other expenses. The related amounts due from Boyd Gaming Corporation for these types of expenditures were \$46,000 and \$18,000 for the years ended December 31, 2006 and 2005 respectively. Reimbursable expenditures incurred were \$398,000 and \$1,032,000 for the years ended December 31, 2006 and 2005, respectively.

In 2005, we entered into a series of ground lease agreements with MAC related to our expansion projects which increase our leased premises from a total of 15.5 acres to a total of 19.0 acres (see Note 11). These new ground lease agreements and the modified existing employee parking garage ground lease agreement provide the land on which our existing employee parking garage, the Public Space Expansion, the Rooms Expansion, and a modified surface parking lot will reside. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease (which can be terminated by either party upon 18 months written notice). The related amounts due to MAC for these types of expenditures were \$0 and \$320,000 at December 31, 2006 and 2005, respectively. Related rent incurred was \$5,479,000 and \$4,884,000 for the years ended December 31, 2006 and 2005, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying consolidated statements of operations.

Pursuant to the ground lease agreements, we are responsible for reimbursing MAC for related property taxes paid on our behalf. The related amounts due to MAC for these types of expenditures were \$0 at December 31, 2006 and 2005. Related property tax incurred was \$3,706,000 and \$1,680,000 for the years ended December 31, 2006 and 2005, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying consolidated statements of operations.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf primarily related to third party legal fees, investigative fees, and other. The

related amounts due to BAC for these types of expenditures paid by BAC were \$871,000 and \$379,000 for the years ended December 31, 2006 and 2005. Reimbursable expenditures during the years ended December 31, 2006 and 2005 were \$10,954,000 and \$6,500,000 respectively, which were included in the accompanying consolidated statement of operations.

The related party balances are non-interest bearing.

Note 8. Debt

Amounts outstanding under each component of our bank credit agreements are as follows:

	December 31,	
	2006	2005
Term loan	\$ -	\$ 198,000,000
Revolving line of credit	554,600,000	143,700,000
Total debt	554,600,000	341,700,000
Less current maturities	-	-
Total long – term debt	\$ 554,600,000	\$ 341,700,000

On February 15, 2006, the First Amendment was made to our First Amended and Restated Credit Agreement among MDFC, MDDC, Canadian Imperial Bank of Commerce and certain other financial institutions. The amended bank credit agreement modified our existing amended bank credit agreement and consists of a \$750,000,000 revolving credit facility that matures on January 31, 2011. Availability under the revolving credit facility was used to repay in full the outstanding term loan component of the previous bank credit agreement. At December 31, 2006, \$554,600,000 was outstanding under the revolving credit facility and \$3,601,000 was allocated to support a letter of credit, leaving availability under the bank credit facility of \$191,799,000.

The interest rate on the revolving credit facility is based upon either (i) the agent bank's quoted base rate or (ii) the Eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur a commitment fee on the unused portion of the revolving credit facility that ranges from 0.2% to 0.375% per annum. The blended interest rates for outstanding borrowings under the bank credit agreements at December 31, 2006 and 2005 were 6.6% and 5.9%, respectively. The bank credit agreement is secured by substantially all of our real and personal property and is non-recourse to MAC and BAC.

The bank credit agreement contains certain financial and other covenants, including, without limitation, various covenants (i) establishing a maximum permitted total leverage ratio, (ii) establishing a minimum required interest coverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. We believe that we are in compliance with the covenants related to the bank credit agreement at December 31, 2006.

The scheduled maturities of long-term debt for the years ending December 31 are as follows:

2007	\$ -
2008	-
2009	-
2010	-
2011	554,600,000
Total	\$554,600,000

Note 9. Interest Rate Protection Agreements

On March 8, 2001, we entered into several interest rate protection agreements to comply with the requirements of our original bank credit agreement at an initial cost of \$771,000. All of our interest rate protection agreements matured on or before December 31, 2005. The interest rate protection agreements were cash flow hedges and consisted of interest rate swaps, caps and collars with a combined total initial aggregate notional amount of \$310,000,000 that commenced and matured at various dates ranging from December 2001 to December 2005. The interest rate protection agreements were accounted for as derivative financial instruments in accordance with SFAS No. 133. The net effect of our interest rate swaps resulted in an increase in interest of \$5,069,000 greater than the contractual rate of the underlying hedged debt for the year ended December 31, 2005.

The following table reports the effects of the mark to market valuations of our derivative financial instruments for the periods indicated (in thousands). The increase or decrease in fair value of certain hedges deemed to be ineffective is reported in the accompanying consolidated statements of operations. The increase or decrease in fair value of certain hedges deemed to be effective is reported in other comprehensive income (loss) as a component of member equity on the accompanying consolidated balance sheet.

	Year Ended December 31,	
	2006	2005
Net loss on derivative financial instruments due to ineffectiveness in certain hedges	<u>\$ -</u>	<u>\$ (808,000)</u>
Derivative financial instruments market adjustment	\$ -	\$ 6,434,000
Tax effect of derivative financial instruments market adjustment	<u>-</u>	<u>(580,000)</u>
Net derivative financial instruments market adjustment	<u>\$ -</u>	<u>\$ 5,854,000</u>

Note 10. Income Taxes

We are entitled to a 50% credit against our Adjusted Net Profits Tax (see Note 1) if we make qualifying capital expenditures, as defined by statute. In 2003, we placed a valuation allowance of approximately \$500,000 on the credit because we had not made any qualifying capital expenditures, nor did we have any definitive expansion plans. In December 2004, we commenced the Public Space Expansion and submitted the appropriate applications for reimbursement of this tax. As such, we released the \$500,000 valuation allowance on the 2003 credit and realized an additional credit of \$2,400,000, representing 50% of the Adjusted Net Profits Tax paid in 2004. This \$2,900,000 aggregate state tax benefit is included in our accompanying statement of operations for the year ended December 31, 2004 and a state tax benefit of \$1,000,000 and \$1,900,000, respectively, representing 50% of the Adjusted Net Profits Tax paid in 2006 and 2005 is included in our accompanying statements of operations for the years ended December 31, 2006 and 2005.

Based on New Jersey state income tax rules, we are eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit because we made a qualified investment in a new business facility that created new jobs. The total estimated available credit related to our original investment is approximately \$75,000,000 over a five year period subject to certain annual conditions. An incremental

credit related to our Public Space Expansion is estimated to be approximately \$1,800,000 over a 5 year period. We began receiving refunds related to this tax credit in early 2005. As such, we recorded approximately \$23,000,000 of net New Jobs Tax Credits during the year ended December 31, 2004, comprised of New Jobs Tax Credits generated from the years ended December 31, 2004 and 2003. We recorded approximately \$16,900,000 and \$18,700,000 of net New Jobs Tax Credits for the years ended December 31, 2006 and December 31, 2005, respectively. We expect to generate net New Jobs Tax Credits of approximately \$17,000,000 for 2007 and approximately \$300,000 per year for years 2008 through 2010. We may also be entitled to incremental New Jersey New Jobs Investment Tax Credits as a result of our Rooms Expansion as discussed in Note 1.

In connection with our formation in 2000, MAC contributed assets consisting of land and South Jersey Transportation Authority bonds with a tax basis of approximately \$9,200,000 and \$13,800,000, respectively. The recorded book value of those assets was \$90,000,000. Pursuant to the Joint Venture and Tax Sharing Agreements between MAC and BAC, any subsequent gain or loss associated with the sale of the MAC contributed property would be allocated directly to MAC for both state and federal income tax purposes. As such, no state deferred tax liability has been recorded in connection with the book and tax basis differences related to the MAC contributed property.

The Internal Revenue Service is currently examining federal income tax returns filed for the years ended December 31, 2004 and December 31, 2003. In the event that the examination results in an adjustment to federal taxable income, such adjustment would flow through to MAC and BAC, as we are not subject to federal income tax.

The following tables present our state income tax benefit and related deferred tax assets.

A summary of the benefit from state income taxes is as follows:

	Year Ended December 31,	
	2006	2005
State		
Current	\$(4,172,000)	\$(4,037,000)
Deferred	2,056,000	2,734,000
Benefit from state income taxes	<u>\$(2,116,000)</u>	<u>\$(1,303,000)</u>

The following table provides reconciliations between the state statutory rate and the effective income tax rates where both are expressed as a percentage of income.

	Year Ended December 31,	
	2006	2005
Tax provision at state statutory rate	9.0%	9.0%
New jobs investment tax credit	(11.2)	(11.0)
Adjusted net profits tax	1.3	2.2
Adjusted net profits tax credit	(0.6)	(1.1)
Other, net	0.1	0.1
Total state income tax benefit	<u>(1.4)%</u>	<u>(0.8)%</u>

The components comprising the Company's net deferred state tax liability are as follows:

	December 31,	
	2006	2005
Deferred state tax assets:		
Preopening expense	\$ 1,629,000	\$ 2,716,000
State tax credit carryforwards	1,657,000	1,657,000
Provision for doubtful accounts	1,435,000	921,000
Reserve for employee benefits	450,000	387,000
Reserve differential for gaming activities	76,000	294,000
Other	1,106,000	561,000
Gross deferred state tax asset	6,353,000	6,536,000
Deferred state tax liabilities:		
Difference between book and tax basis of property	11,115,000	9,480,000
Other	406,000	350,000
Gross deferred state tax liability	11,521,000	9,830,000
Net deferred state tax liability	\$ (5,168,000)	\$ (3,294,000)

The items comprising our deferred income taxes as presented on the accompanying consolidated balance sheets are as follows:

	December 31,	
	2006	2005
Current deferred income tax asset	\$ 1,444,000	\$ 1,178,000
Non-current deferred income tax liability	(6,612,000)	(4,472,000)
Net deferred state tax liability	\$ (5,168,000)	\$ (3,294,000)

Note 11. Commitments and Contingencies

Future Minimum Lease Payments

Future minimum lease payments required under noncancelable operating leases (principally for land, see Note 7) as of December 31, 2006 are as follows:

2007	\$ 8,063,000
2008	6,958,000
2009	5,876,000
2010	5,149,000
2011	5,154,000
Thereafter	288,432,000
Total	\$319,632,000

For the years ended December 31, 2006 and 2005, total rent expense was \$11,896,000 and \$6,816,000, respectively, portions of which were capitalized on the accompanying consolidated balance sheets and portions of which were included in the accompanying consolidated statements of operations.

Utility Contract

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company extending the end of the terms to 20 years from the opening of our Rooms Expansion. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately \$6,500,000 per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate which is estimated at approximately \$4,800,000 per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

Investment Alternative Tax

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, we may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

Our CRDA obligations for the years ended December 31, 2006 and 2005 were \$9,241,000 and \$8,779,000 respectively, of which \$4,336,000 and \$4,922,000, respectively, was expensed and is included in selling general and administrative expenses on the accompanying consolidated statements of operations due to the various underlying commitments.

Grant and Donations Agreement

In June 2004, Borgata and the eleven other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Grant and Donations Agreement (the "Agreement") with the New Jersey Sports & Exposition Authority (the "NJSEA") and the CRDA in the interest of deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks.

Under the terms of the Agreement, the Casinos shall pay to the NJSEA \$34,000,000 to be used for certain authorized purposes (the "Authorized Uses") as defined by the Agreement. The \$34,000,000 to be paid by the Casinos shall be payable over a four year period as follows: \$7,000,000 was paid October 15, 2004; \$8,000,000 was paid October 15, 2005; \$9,000,000 was paid on October 15, 2006; and \$10,000,000 will be paid on or before October 15, 2007. In the event any of the \$34,000,000 is not used by NJSEA for the Authorized Uses by January 1, 2009, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino's share of the \$34,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ending June 30 prior to the October 15 payment date compared to the gross gaming revenues for that period for all Casinos. The Casinos, individually and collectively, shall be responsible for the payment of all amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall pay a pro rata share of the defaulted payment based upon their share of the gross gaming revenue for the period as compared to the gross gaming revenues for the period for all Casinos calculated without the gross gaming revenue of the defaulting casino. As a result, we will expense our pro rata share of the \$34,000,000, estimated to be approximately \$4,652,000 in total using our actual and forecasted market share of gross gaming revenue, on a straight line basis over the applicable term of the Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2006, our share of the \$9,000,000 paid on October 15, 2006 was approximately 13.9%, or \$1,251,000. Based upon the gross gaming

revenues for all Casinos for the twelve months ended June 30, 2005, our share of the \$8,000,000 paid on October 15, 2005 was approximately 13.9%, or \$1,112,000. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the \$7,000,000 paid on October 15, 2004 was approximately 12.0%, or \$837,000. We have recorded an estimated expense of \$1,136,000 and \$1,031,000 for the years ended December 31, 2006 and 2005, respectively.

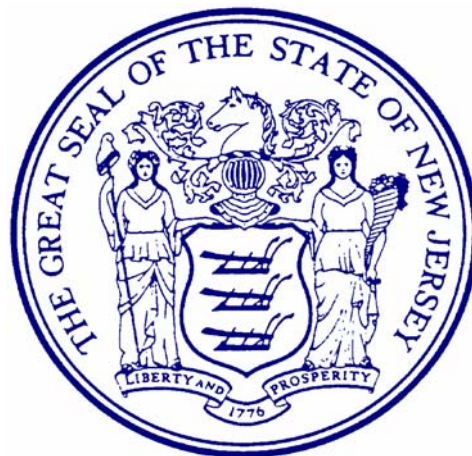
Also under the terms of the Agreement, the CRDA approved donations in the aggregate amount of \$62,000,000 from the Casino's North Jersey Obligations (pursuant to the New Jersey Casino Control Act) for certain uses as defined by the Agreement including casino projects approved pursuant to rules of the CRDA. The CRDA shall credit 100% of the donations received from each casino against that casino's obligation to purchase bonds. The donation shall provide that each casino's share of the \$62,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ended June 30, 2004 compared to the gross gaming revenues for that period for all Casinos. Each casino's respective annual donation shall be made first from uncommitted current and future funds in the North Jersey Project Fund established in accordance with the CRDA Urban Revitalization Act of that Casino and shall be credited as fulfilling said obligation on behalf of the particular casino making the payment. To the extent such North Jersey Project funds of that casino are not adequate to pay a Casino's share of the required donations, then that casino's other uncommitted current and future North Jersey Obligations shall be utilized. As a result, we will expense our pro rata share of the \$62,000,000 on a straight line basis over the applicable term of the Agreement; however, our Rooms Expansion project may qualify, pursuant to rules of the CRDA, for eligibility to receive future credits of approximately \$6,800,000 under this Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the \$62,000,000 is approximately 12.0%, or \$7,400,000. We have recorded an estimated expense of \$1,644,000 and \$1,644,000 for the years ended December 31, 2006 and 2005, respectively. Based on current gross gaming revenue projections, we expect it will take approximately 10 to 12 years to fully fund this obligation as the third quarter of 2006 was the first quarter we were subject to fund North Jersey Obligations.

Legal Matters

We are subject to various claims and litigation in the normal course of business. In our opinion, all pending legal matters are either adequately covered by insurance, or if not insured, will not have a material adverse impact on our financial position, results of operations or cash flows.

Borgata Casino Hotel & Spa
ANNUAL FILINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

Borgata Casino Hotel & Spa

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

Line (a)	Description (b)	Account Balance (c)	Allowance (d)	Accounts Receivable (Net of Allowance) (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$23,740		
2	Returned Patrons' Checks.....	18,059		
3	Total Patrons' Checks.....	41,799	\$15,730	\$26,069
4	Hotel Receivables.....	2,706	218	\$2,488
	Other Receivables:			
5	Receivables Due from Officers and Employees....			
6	Receivables Due from Affiliates.....	209		
7	Other Accounts and Notes Receivables.....	34,359		
8	Total Other Receivables.....	34,568		\$34,568
9	Totals (Form CCC-205).....	\$79,073	\$15,948	\$63,125

UNDEPOSITED PATRONS' CHECKS ACTIVITY

Line (f)	Description (g)	Amount (h)
10	Beginning Balance (January 1).....	\$24,150
11	Counter Checks Issued.....	655,465
12	Checks Redeemed Prior to Deposit.....	(464,031)
13	Checks Collected Through Deposits.....	(154,226)
14	Checks Transferred to Returned Checks.....	(37,618)
15	Other Adjustments.....	0
16	Ending Balance.....	\$23,740
17	"Hold" Checks Included in Balance on Line 16.....	0
18	Provision for Uncollectible Patrons' Checks.....	\$15,730
19	Provision as a Percent of Counter Checks Issued.....	2.4%

Borgata Casino Hotel & Spa

EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2006

(\$ IN THOUSANDS)

Line (a)	Department (b)	Number of Employees (c)	Salaries and Wages		
			Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO:				
1	Table and Other Games	2,175			
2	Slot Machines	159			
3	Administration	8			
4	Casino Accounting	361			
5	Simulcasting	22			
6	Other	33			
7	Total - Casino	2,758	\$51,756	\$1,041	\$52,797
8	ROOMS	492	11,876		11,876
9	FOOD AND BEVERAGE	2,107	33,264		33,264
10	GUEST ENTERTAINMENT	330	3,550		3,550
11	MARKETING	203	7,486	1,273	8,759
12	OPERATION AND MAINTENANCE	339	9,508		9,508
	ADMINISTRATIVE AND GENERAL:				
13	Executive Office	24	425	1,767	2,192
14	Accounting and Auditing	129	3,376		3,376
15	Security	263	6,883		6,883
16	Other Administrative and General	147	7,953		7,953
	OTHER OPERATED DEPARTMENTS:				
17	Spa, Fitness Center & Pool	117	2,238		2,238
18	Transportation	115	1,948		1,948
19	Barber Shop/Salon	24	121		121
20	Retail	23	108		108
21					0
22					0
23	TOTALS - ALL DEPARTMENTS	7,071	\$140,492	\$4,081	\$144,573

BORGATA HOTEL CASINO AND SPA

ANNUAL GROSS REVENUE TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2006

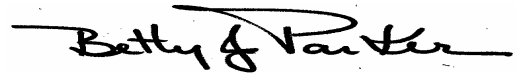
Line

GROSS REVENUE:	
1. Table and Other Games.....	\$ 279,830,081
2. Slot Machines	459,458,762
3. Total Gross Revenue.....	<u>739,288,843</u>
4. Adjustments.....	<u> </u>
5. Taxable Gross Revenue (line 3 plus line 4).....	<u>739,288,843</u>
6. Tax on Gross Revenue - Reporting Year (8% of line 5).....	<u>59,143,107</u>
7. Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	<u>22,460</u>
8. Total Taxes on Gross Revenue (the sum of lines 6 and 7).....	<u>59,165,567</u>
9. Total Deposits Made for Tax on Reporting Year's Gross Revenue.....	<u>(59,143,107)</u>
Settlement of Prior Years' Tax on Gross Revenue	
10. Resulting from Audit or Other Adjustments - (Deposits) Credits	<u>(22,460)</u>
11. Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	<u>\$ 0</u>

Under penalties of perjury, I declare that I have examined this Annual Gross Revenue Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/12/2007

Date



Betty J. Parker

Casino Controller Lic. #8038-11